Pam. China - Trade

Trading With China

Guaranty Trust Company
of New York

Trading With China

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Trading With China

Methods Found Successful in Dealing With the Chinese

Guaranty Trust Company of New York
140 Broadway

FIFTH AVENUE OFFICE
Fifth Avenue and 43rd Street

MADISON AVENUE OFFICE
Madison Avenue and 60th Street

LONDON OFFICES
32 Lombard Street, E. C.
5 Lower Grosvenor Pl., S.W.

PARIS OFFICE
Rue des Italiens, 1 and 3

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Head Office of Asia Banking Corporation in the Far East, at 15 Kiukiang Road Shanghai

The Main Office of Asia Banking Corporation is in New York City

Interior of the Shanghai Office of the Asia Banking Corporation

Trading With China

Methods Found Successful in Dealing With the Chinese

Many regard China as a far-distant land, with an immense population, but so wanting in all that others possess as to be ready to purchase, in unlimited quantities, whatever is offered for sale; whereas what is true is this: China needs neither import nor export, and can do without foreign intercourse. A fertile soil, producing every kind of food, a climate which favors every variety of fruit, and a population which for tens of centuries has put agriculture—the productive industry which feeds and clothes—above all other occupations, China has all these and more, *and foreign traders can only hope to dispose of their merchandise in proportion to the new tastes they introduce, the new wants they create, and the care they take to supply the demand.*

THUS Sir Robert Hart, Inspector-General of Chinese Imperial Customs and Posts—a man intimately acquainted with the Chinese—summed up the foreign trade situation in China in 1901, and although eighteen years have passed by, the words are as true today as they were then. The fact that in the twelve months ending December, 1918, the exports to China of American merchandise amounted to $59,134,960, and the imports from China to this country totalled $140,892,573, only serves to emphasize the truth of his statement, for success in trading with China has come only to those who have made a careful study of the characteristics and wants of the 400,000,000 frugal, industrious inhabitants of that vast country. And our imports from China are still far in excess of our exports to China.

Nevertheless, the foreign trade of China now amounts to much more than a billion gold-dollars a year. This indicates an advance of more than one hundred per cent. in the last ten years, if figured in gold dollars, while in Chinese taels it has advanced about thirty-three per cent.

With an area of about 4,300,000 square miles, one and a half times the area of the United States, excluding Alaska and our outlying possessions, with about 93 persons to the square mile, with only about 6,000 miles of railways compared with our 260,000 miles, and with one-half of the population without wheeled vehicles, China is today at the inception of a vast modern industrial development, and will require railway materials, mining equipment, electrical plants, public utilities, machinery and factory equipment, and metal products in great abundance. American ships, American capital, American organizations must be provided for the expansion of American trade in China.

Vast Field for Americans

It is a vast field of opportunity that has hardly been scratched—a field that will yield a rich harvest to the American who cultivates it with intelligence and understanding, because the position of the United States in China is peculiarly advantageous. China regards our country as friendly in the desire to protect rather than despoil her territory. But to meet competition we must have a powerful organization, a base and rallying point, a tangible something besides mere labels on boxes or bales as representing American force. It must be remembered that the Chinaman makes his judgment largely on the outward, visible signs, and that he has a natural tendency to deal with the strongest firm.

America's manufacturing capacity today, as a result of war-time expansion and increased efficiency in production, is so large that the output of our plants at full time is much greater than America's markets can continuously and regularly absorb, and if we are to avoid periods of unemployment of large bodies of workers we must get our share of foreign trade to dispose of this surplus production. The Chinese market will be a great factor in solving this problem. This booklet has, therefore, been prepared to guide those unversed in Chinese commerce.

Governing Elements

Three basic elements govern Chinese business—personality, education, and honesty. Regarding the first, your representative in China must be a man of education and tact. The quality of aggressiveness which makes for success in the United States must be toned down in dealings with the Chinese, a dignified race that abhor, the breeziness of a certain type of salesmen. On the other hand they have a profound reverence for a man of learning, and, if he is familiar with their customs, business relations will proceed smoothly and profitably.

An outstanding feature of the Chinese character is his commercial honor, and he demands an equally high standard from the foreigner. One deviation from absolute integrity on the part of your representative would probably destroy your business in China. The Chinese merchant is noted for liberality in all his dealings, is tenacious as to all that is material, with comparative disregard for trifles, never letting a transaction fall through on account of punctilio, yielding to the prejudices of others wherever it can be done without material disadvantage. Judicial procedure being an abomination to respectable Chinese, their security in commercial dealings is based as much upon reason, good faith, and non-repudiation as is that of western nations upon verbal finesse in the construction of contracts.

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One of the main business streets in Shanghai

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The Bund at Shanghai

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The French Quarter, Shanghai

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The Garden Bridge, a new steel structure, in Shanghai

Your representatives should be required to study Chinese, and their progress should be tested by bi-weekly oral examinations and monthly written tests. Those showing aptitude should be encouraged to higher Chinese studies and, as an incentive to all, a bonus might be given those who, by test examination, show that they have attained a fixed standard. The bonus given by some British firms sometimes amounts to $500.

The success of Europeans learning the language can perhaps best be judged by the statements of the Shanghai manager of the British-American Tobacco Company. According to this statement the company has no fewer than sixty men residing in the interior studying Mandarin. In North China especially the European travelers of this firm who are equipped with a working knowledge of Chinese may be encountered in the most-out-of-the-way places, pushing the business of the firm in a way that would be impossible without their knowledge of the language. So useful has knowledge of the Chinese language proved to be in the company's business that it stipulates in its contract when engaging assistants in England or America that the man shall be required within the first four years of service in China to learn the language sufficiently well to be able to transact business without the assistance of an interpreter.

The Compradore

While personal contact with the Chinese by your representative in the field should be encouraged and facilitated in every possible manner, and the study of the language insisted upon in the case of permanent resident representatives, the most important factor of your Chinese business will be the compradore. There is no more remarkable figure in the history of commerce than the compradore of China, who discharges duties of large trust with almost uniform fidelity. In the early days of European trade with China the compradore was somewhat of a combined interpreter and steward, to whom was committed the business of bargaining with the natives on small matters, but by degrees the compradore has grown in influence until now he is practically indispensable.

Determination of a purchaser's credit is, in China, well-nigh an impossible task to a foreigner. Of course, prominent, active, and honest Chinese firms in the

Treaty Ports have a standing and credit known to all; but when the prospective customer hails from the interior, as is often the case, the fixing of his reliability is beyond the power of the ordinary foreign trader. Because of this situation the compradore exists in all foreign firms in China.

A Native Credit Man

Briefly, the compradore is the Chinese manager and credit man of the firm with which he is connected and the guarantor of all native accounts. Any order for goods countersigned by him is honored at once, as such countersignature renders him responsible for payment on the due date —if the purchaser fails to pay, the compradore must satisfy the account.

Compradores invariably furnish cash guarantees—the amount dependent upon the firm's turnover—which, as a rule, are placed as fixed deposits, drawing interest, in one of the foreign banks. The account is technically to be drawn upon by the firm if the compradore refuses to pay any account countersigned by him on which a purchaser defaults. It is almost unheard of to draw against it—the compradore meets any calls from his own funds. In addition to cash, the compradore furnishes a bond, drawn by well-known and wealthy Chinese, guaranteeing the firm against loss. Even with these guarantees, careful investigations of the man's family connections and standing among the Chinese merchants are made before he is taken on as compradore. A man well known to the local Chinese and of an old merchant family will fairly gather up business for his firm. Members of old official families, even though very wealthy, make poor compradores, as some firms have discovered, much to their disadvantage. They have no intimacy with the Chinese

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A street in the native city, Shanghai

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The Bund and Government Buildings at Hong Kong

merchants, are not in sympathy with them, are ignorant of their methods of working, and rarely get any general business—though sometimes they capture Government contracts.

His Work Necessary

In a business functioning purely on a cash basis, the compradore, theoretically, is unnecessary. But if close investigations should be made, it would be discovered that the head clerk or other employee was, in reality, acting as a compradore, but furnishing cash to the purchaser instead of indorsing his account. Of course, for such advances a commission is exacted; the compradore does likewise, though secretly, for countersigning orders. From the firm itself the compradore receives a commission of ½ per cent., more or less, on all orders he certifies.

The compradore in some cases receives from the firm a fixed salary, for which he agrees to supply a Chinese staff, which includes a customs clerk, an accountant, an office boy, and a few coolies.

Much publicity has been given in the newspapers to articles on China in which the compradore system has been condemned as erecting and maintaining a barrier between the Chinese and foreign merchants. The barrier undoubtedly exists. But the compradore system did not bring it into being, nor is this system responsible for its continued existence. The responsibility lies solely on the shoulders of the inexperienced foreigner. He has neither exerted himself to learn Chinese nor has he endeavored to enter into the life of the natives. Of necessity, the foreigner being ignorant of Chinese and the native knowing no English, a go-between was, and still is, essential. This go-between, the compradore, will exist so long as the foreigner speaks no Chinese, and until investigation of a Chinaman's credit is feasible. It seems fitting to mention here, in passing, that much of the phenomenal advance of German trade in China was due to the persistence with which German merchants accommodated themselves to Chinese life, and their farsightedness in equipping their employees to carry on business through the medium of the Chinese language.

Preparing the Campaign

Handing over the sale of one's products to an established firm is often unsatisfactory, especially so if the rights are en-

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Street in Hong Kong

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Native Shops in Peking

trusted to a firm of nationality other than one's own. There is always danger that the market of similar goods from the factories of the agency owner's mother-country will not be aggressively attacked. Further, the market often remains the personal market of the agency owner; and if the manufacturer at any time desires to sell his goods direct, or transfer the agency, he at once discovers that he must again build up a clientele. The customers will cling to the old agency chief and accept goods recommended by him rather than the manufacturers' products, unless, of course, no similar product is produced anywhere in the world. In addition, it is not always easy to close with a good agency—some competitor may already have made connections. Handing the sales rights over to an agency with a poor following damns one's goods from the start.

The best arrangement is the joint establishment by several non-competing manufacturers of an office at Shanghai, that wonderful emporium of foreign trade and microcosm of western civilization dumped down inside the entrance gates of the most conservative people in the world—the threshold of China. Branches may be opened at other ports as found necessary. There are forty-eight treaty ports, where foreigners are privileged to reside for business purposes under the jurisdiction and protection of the law courts of their respective nationalities. The principal treaty ports in the order of their importance, are: Shanghai, Tientsin, Hankow, and Canton. These four treaty ports are the centers of foreign trade activity.

Experienced Men

In selecting a corporation or branch office staff, efforts should be made to obtain men who have had Chinese experience, have Chinese friends, understand their language and customs, and have a broad general education. If they have in

addition a knowledge of foreign languages that will be an asset of inestimable value.

The ideal system for Ameriean trade with the Orient, and similar to that followed by the British merchants who have proven so successful in their trading ventures with the Oriental nations, is a combination buying Oriental produce and selling American goods. Such a combination could be formed by the association of American manufacturers of non-competing lines, who desire Eastern trade, with American manufacturers using Oriental products. Such an organization should consist of a manager, assistants, an export department, and an import department. Both the export and import departments should have trained staffs.

The complete control of affairs must be in the hands of the manager and all dealings with Chinese done by him, or by assistants deputed to aet for him. Of course, for expert advice he would call on his trained import and export staffs as occasion demanded. Terms having been made by the manager for either purchases or sales, and such terms having been accepted by the native merchant interested, the export or import department, as the case might be, would arrange for reeeipt or delivery, supervise it to insure compliance with contract terms, insure proper paeking, etc.

Such an organization as outlined above, with a manager known and liked by the Chinese, acquainted with their views of life, and conversant with their language and customs, would have a prosperous existence, especially if its compradore be prominent in the mercantile community.

Importance of Trade Marks

The manner in which goods are wrapped or marked plays a most important part with the average Chinaman. He has centain symbols which he considers unlucky, and if you have a box of matches or bottle of perfume or any other article "unluckily" branded he cannot be persuaded to accept it even as a gift. Similarly, there are many subjects which he considers lucky, and he exhibits a marked weakness for certain colors, being willing to purchase the goods bearing these lucky emblems and favorite colors whether he is very much in need of the articles or not. In a country where every bird has its heraldic station firmly fixed, and where every natural object possesses a symbolic meaning, the selection of an appropriate trade mark must be the work of one who has an intimate knowledge of the country.

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On the Yangtse Kiang at Hankow

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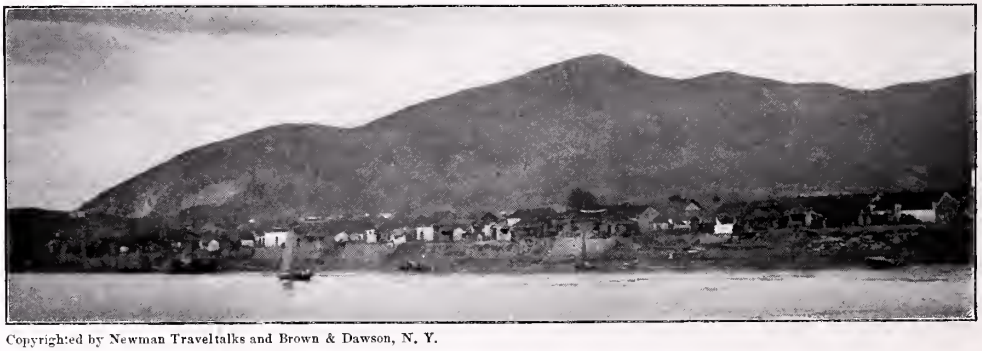
Chinese salt junks on the Yangtse Kiang

Of immense importance in the Chinese trade are the questions of trade-marks—called "chops" in China—, packing, and advertising.

The natives who eventually consume the foreign traders' products are, to a great extent, illiterate. In purchasing their needs they invariably call for "Gold Fish," "Cloth," "8 Fairies Oil," "White Horse Dye," etc. rather than "Smith and Jones Cotton Sheeting," "Watson's Oil," or "Williams Dye." They identify an article by its label ("chop") and any commodity's quality is made known through the country, from mouth to mouth, by such words as "Gold Fish Cloth wears very well;" "I dyed some cloth two years ago with White Horse Dye and the color is still brilliant;" etc. The name of the manufacturer is immaterial, being unknown to the purchaser, and "chops" are so valuable that foreign merchants are insistently urging the Chinese Government to enact more stringent legislation against their being pirated. They also follow up any infringement of their "chops," sometimes maintaining a staff of special employes to ferret out cases of infringement. A "chop" that has gained a footing insures a continued and constantly increasing sale of the commodity bearing it. Vice versa, a bad "chop" means reduced sales and eventual extinction of the product it covers.



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One of the mining towns on the Yangtse Kiang, in the center of the iron and coal fields

In the past there have, not infrequently, been cases where American merchants have received good orders from Chinese merchants and, though the goods supplied were of high quality, have failed to obtain further orders because of the bad condition in which the goods reached the purchaser. Cases arrived broken—sometimes barely clinging together—articles were damaged, etc. The American trader had packed the goods as he packed for his domestic trade, overlooking the fact that transshipment from train to steamer, landing from steamer, and transport to destination in China (perhaps by native boat, wheel-barrow, or porter) demanded stronger and more careful packing.

It should be the policy of American merchants to err on the side of making their packing too solid rather than the contrary. Large cases (say 2½ ft. by 2½ ft. by 4 ft.) should be of ⅝ inch board for the sides and 1 inch for the ends, bound around the ends—and perhaps the middle—with hoop iron. The ends should further be strengthened by strips 4 by ⅞ inches nailed on the outside in the form of a frame, thus making the ends, where the side boards of the case are attached, 1⅞ inches thick. The sides of the case should be just flush with this outside frame. The stock used should be good pine and not old discarded lumber.

Piece goods were packed previous to the war in tin-lined cases. Shortage of tin led to the tin lining being omitted, much to the dissatisfaction of the Chinese merchants. It is most probable that the old form of packing will be resumed in the near future.

Size of Cases

The Chinese usually pack their products in medium sized packages and bind two, three, or more together with split rattan around the sides and ends to form one package of any size desired. It might be well for American business men to pack their cargo destined for China in a similar manner, binding the packages together, to form others of the desired size, by strong wire around the ends and sides.

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A scene on the Pearl River at Canton

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American compound in Tien Tsin

In carrying such packages to the interior, where in some places only small packages can be transported, the question of conveyance would be simplified. Of course, for certain goods for which custom has decreed a certain form and size of case, such as piece goods, the standard package must be adhered to. Merchants must, however, take special care that their packages are strong. No business can be retained in China if goods are poorly packed. Let merchants bear this in mind!

Extent of Advertising

Advertising is a relatively new idea in China but is making immense strides forward. The British-American Tobacco Company is the most extensive advertiser and its posters, electric signs, and special bill boards, are found in the interior, and are scattered along all the roads leading to the treaty ports where foreigners carry on business. Japanese medicine firms, the American Standard Oil Company, Asiatic Petroleum Company, Singer Sewing Machine Company, and others also carry on an extensive campaign by posters.

All the firms mentioned above advertise extensively in the Chinese newspapers, and large native firms at the treaty ports also avail themselves of this method of advancing their business. Newspaper advertising rates are not heavy.

For a new firm in China, newspaper advertising should be resorted to, and if special articles, such as soap, toilet goods, medicines, stockings, etc., are to be carried, a special poster scheme should be inaugurated. Posters to be effective must be intelligible to the masses *i. e.*, explain themselves by the pictures they bear, and draw attention to the "chop" of the goods advertised. The distribution of Chinese calendars of glazed paper, of poster design, is an excellent and effective means of advertising.

Customs and Shipping Documents

Foreign merchants entering the China trade almost invariably meet with difficulties because of their ignorance of the Chinese Customs routine and regulations. Unlike the United States, China levies both an export and an import duty. Native cargo from one treaty port to another treaty port in China pays export duty at

the first port and import duty (one-half export duty) at the second. If it is shipped abroad within one year, in its original packages, or in packages repacked under Customs supervision, the half duty is refunded. Foreign goods are liable to one duty payment only and are then duty-free if sent to any treaty port in China. If for the interior, an additional half duty must be paid. Duty on native cargo is assessed according to rates given in the so-called "Export Tariff." Foreign goods are covered by the "Import Tariff."

Customs and Shipping Documents

As an aid to those who anticipate exploiting the Chinese market, a short outline of the Chinese Customs method of procedure is given below:

There are several forms of a prescribed type used by merchants in their dealings with the Customs. They are: Import Application, Export Application, Re-export Application, Transshipment Application, Transit Pass Application, Application for Permission to Re-Pack, Foreign Goods Pass, Foreign Goods Sub-Pass, and Native Goods Pass. All of them may be obtained free at the Custom House, with the exception of Foreign Goods Pass, Foreign Goods Sub-Pass, and Native Goods Pass; but merchants as a rule have supplies of these forms printed themselves to save trouble of applying for them at the Custom House. Foreign Goods Passes, of a prescribed form, must be provided at the merchant's expense. They are sold in bound books of 100 or 200 by Shanghai printers. Blank Foreign Goods Sub-Passes and Native Goods Passes are sold at the Custom House in books of 50; the price is nominal and merely covers their cost. They are made of a special kind of paper, similar to bank check paper, to prevent unauthorized alterations being made.

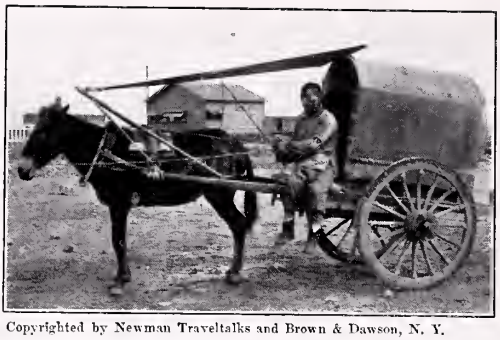
A merchant having foreign cargo to import, once the steamer bearing it arrives in port, carefully fills in an Import Application, attaches his Bill of Lading thereto (invoice also if the goods pay ad valorem duty), and sends same to be deposited at the Import Desk in the Custom House. This application, after certain formalities that do not concern outsiders, is sent by the Customs authorities to the wharf or warehouse where the cargo has been landed under Customs supervision and examination is effected. Usually an employee of the firm interested is sent to be present at the examination, but this is not absolutely necessary, though it is to be recommended.

Examination completed, the application, still in Customs custody, is returned to the Custom House, where a Chinese "Duty Memorandum" is prepared. This memorandum, indicating duty due, is handed to the merchant, who goes to the Customs Bank—near or in the Custom House—and, paying the amount called for, exchanges it for a bank receipt. This bank receipt the merchant deposits at the Import Desk. In a short time, as soon as checking can be effected, the Bill of Lading is returned, sealed and signed, and it is valid to exchange at the wharf for his goods. Merchants receive all documents from the Customs at a distribution office in the basement of the Custom House. They hand in documents at places indicated.

Sub-Passes

Immediately on receipt of the sealed Bill of Lading the merchant or his representative, at the Import Desk, must make an additional copy of the Import Application, an absolutely true copy of the document as it then appears, fill in a similar copy in his Foreign Goods Pass (*i.e.*, in the book of Foreign Goods Passes, which must be numbered consecutively), and deposit both at that desk. The same day, or the next day at latest, the Foreign Goods Pass Book will be returned with

the Pass signed and sealed. As he desires Sub-Passes—documents for small lots of cargo, given to the purchaser as a proof of duty payment and as certificates insuring against a second levy of duty if the goods are re-exported to another Treaty Port, as they usually are—he fills in Foreign Goods Sub-Passes, makes corresponding entries in the Foreign Goods Pass Book under the proper Pass, and hands in both at the Custom House. When returned, signed and sealed, each Sub-Pass is a proof of duty payment for the cargo covered by it. The Pass itself will have a similar amount written off.



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Carts like these are used in China for transporting small shipments in the cities

For native goods the procedure is the same except that the Passes are not bound in book form and Sub-Passes are not issued. The Pass serves, for native goods, the same purpose as do Sub-Passes for foreign goods, and are used in the same way. For this reason merchants usually make out from five to ten passes, totalling the entire consignment, when importing native goods, rather than one pass for the entire amount.

For Re-Export, Permit to Re-Pack, Application for Transit Pass (document covering conveyance for foreign goods to the interior and insuring their exemption from Likin and Native Customs dues en route) and Transshipment, the routine is simple and calls for no comment. The documents, stating full particulars, are deposited at the desk dealing with them, *i.e.*, Re-export Desk, Transit Desk, etc., and instructions given to the merchant save him from going wrong. In the case of Re-exports, however, proper Sub-Passes, in the case of foreign goods, and Passes, in the case of Native Goods, must be attached to the application as a proof of duty payment or duty will be levied a second time.

Cash Drawbacks

Foreign Passes and Sub-Passes are valid for three years for cash drawback, if cargo

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The South Manchurian Express. This is the finest train in the Far East, connecting with the Trans-Siberian Railway at Harbin. The appointments of this train are not excelled anywhere. The sleepers are all in compartments, each accommodating two persons. There is hot and cold running water in each compartment.

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Natives traveling fourth-class in China

is re-exported abroad; they are valid forever for exemption from further duty collection in China on cargo covered by them. Native Passes are valid for one year, as a general rule. For raw silk, tea, straw braid, feathers, and a few other articles, they are good for a longer period—eighteen months to two years.

A Customs rule which merchants must never forget is that demanding an individual number, alongside the mark, on each package bearing the same mark. Without this the right to cash drawbacks is forfeited. Chinese refuse to buy cargo that does not enjoy the privilege of cash drawbaek—this is a further reason for bearing the foregoing rule in mind.

There is a great amount of red tape in the Chinese Customs and merchants' applications are often held up because of slight clerical slips. Such applications are collected at the Wrong File Desk. Whenever delay is experienced, it should be the invariable rule for the merchant to inquire at the Wrong File Desk. He will, most probably, find that some slight error has caused the delay and, once corrected, the applications will be passed through smoothly.

In almost all lines of foreign goods the Chinese market is short of stock. The commodities formerly furnished by Germany, Austria, and Belgium are in most urgent demand. Belgium will, it is evident, be in no position to resume its China trade for some years owing to the destruction of its mills and factories, while Germany and Austria will experience difficulty in obtaining raw materials and will be short of tonnage.

Articles Urgently Needed

Briefly enumerating the main items, the yearly sales of Austrian, German, and Belgian products normally reached, approximately, the following totals: Iron and mild steel bars, 17,000 tons; iron and mild steel cobbles (wire shorts), 18,000 tons; iron and mild steel hoops, 1300 tons; iron and mild steel nail rods, 3,000 tons; iron and mild steel nails and rivets, 3,000 tons; railroad rails, 4,500 tons; iron and mild steel sheets and plates, 9,000 tons; enamelled ware (almost entirely Austrian), $500,000; window glass, 225,000 boxes of 100 square feet each; cotton hosiery, 500,000 dozen pairs; miscellaneous machinery and machine parts, $700,000; needles, 4,100,000 mille; paper of all kinds, 14,000 tons; railway materials (other than ties, loco-

motives or coaches), $500,000; stoves, $100,000; rock candy, 3,560 tons; telegraph and telephone materials, $200,000; tinfoil, 600 tons; and locomotive and railway coaches, $1,000,000. Aniline dyes totalled $1,000,000, and artificial indigo, 12,500 tons, worth $5,000,000.

During the war Japan has been exerting every effort to extend her markets in China. In most of the lines mentioned she has made great headway, due primarily to proximity to the market and shortage of tonnage at her competitors' disposal. But the goods supplied have, in many instances, not given entire satisfaction and her present commanding position in the China field is far from secure.

New Bank for Asia

With a view to active participation in the development first of the northern part of China, the Asia Banking Corporation was recently formed under the laws of New York State with a capital of $2,000,000 and a surplus of $500,000, all of which has been paid in. Among the stockholders of the new company are the Guaranty Trust Company of New York; the Bankers Trust Company; the Mercantile Bank of the Americas; the Anglo and London, Paris National Bank, of San Francisco; the First National Bank, of Portland, Ore.; and the National Bank of Commerce, of Seattle, Wash.

The Far Eastern territory where the Asia Banking Corporation contemplates centering its activities comprises mainly the northern and part of the central provinces of China, Manchuria, and Southeastern Siberia. It covers an area of about 2,800,000 square miles, with a population of approximately 340,000,000. Eighty per cent. of the foreign trade of the entire Chinese nation is transacted through the seaports of this territory.

Mr. David Z. T. Yui, Honorary Secretary of the Commercial Commissioners from the Republic of China, addressing the San Francisco Chamber of Commerce during the visit of the Commission to this country, said:

> In a few of the important trade centers of China, such as Shanghai, Hankow, Tientsin, and Canton, we would like to see permanent exhibits established where American manufactured goods could be seen, and experienced men placed in charge who could give complete information. We would like to see constantly what goods you are manufacturing, and also the progress you are making. Not only should you have these permanent exhibits, but you should have catalogues printed in Chinese for distribution, and officials in attendance ready and competent to impart full information. You could tell us in what cities in America the various goods were manufactured, and the prices both wholesale and retail. You could also inform us how you pack them for shipment, and, after we have purchased them, how best we can take care of them and procure the best results.

In this connection it may be mentioned that the Japanese in Antung have erected a commercial museum in that city where actual exhibits of Japanese manufactured goods can be seen by potential Chinese purchasers, and where exhibits illustrative of the agricultural and mineral products of the district can be shown to prospective Japanese settlers and investors.

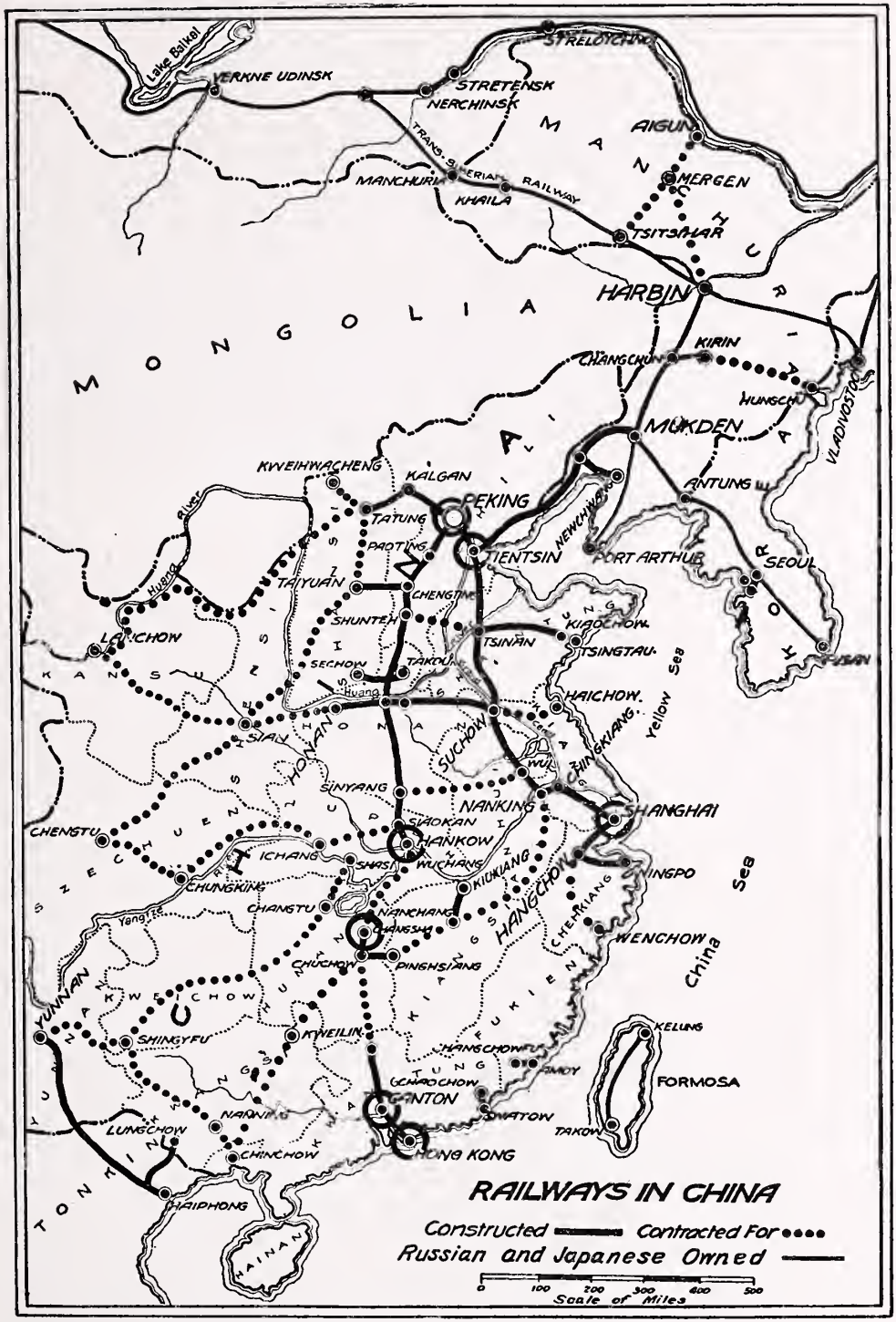
Mr. Yui also said:

> We would like to see fleets of merchant ships coming and going between your great republic and ours, carrying your manufactured goods into our country, and returning ladened with our raw materials. Another suggestion is that China establish in your country as well as ours a permament Bureau of Information. The countries of Europe and Japan send as their agents a large number of business representatives and merchants to tour from city to city in China. By this means, and through judicious advertising and sample exhibits they force their goods upon the attention of the people, and thus readily gain a market.

American manufacturers should register their trade marks both in China and Japan for goods seeking markets in China.

What Americans Should Avoid

We must make goods that will please the Chinaman and not necessarily ourselves. If we are selling print goods, we



Courtesy of Asia, Journal of the American Asiatic Association

Branches of the Asia Banking Corporation are established, or are about to be established, in the cities indicated by the circles

Along the water front of Vladivostok

must make them of Chinese designs, even though to our mind our designs are more handsome. Many a tale is told of American obstinacy in the Chinese market. A representative of an Ohio hardware firm obtained a trial order in China for $5,000 worth of screws, on the condition that they be wrapped in blue paper. The company cabled that their goods were always wrapped in brown paper and that they could not alter their practice. The order, perhaps the entering wedge of an enormous business, went to Germany. The archives of our consulates are full of similar examples.

Another bad practice is the sending of all manner of descriptive literature without any reference to price. If the product is used in China, the all important factor is how much it will cost the local importer; and if the manufacturer's letter gives that information, *i. e.*, current prices f. o. b., American port and approximate shipping and other charges to the distribution centers of Hongkong or Shanghai, the local merchant is in a position to know at once if business is possible.

It may be remarked that very generally American firms when stating prices quote an f.o.b., Atlantic or Pacific coast port price. They should remember that the prospective importer is interested only in the cost of the goods delivered, and therefore the exporter, whenever possible, should attempt to give that information as fully as possible.

It is useless to wait for demand to stimulate supply. In most cases the demand must be created, especially in such matters as installations of machinery and industrial undertakings.

Incorporation in China of American Companies

A bill has been introduced in Congress which provides for the Federal incorporation of companies engaged exclusively in foreign trade. It is designed to meet the needs of foreign investors who are bewildered by our numerous State incorporation laws. The advent of such a law will be of particular importance to interests incorporating for the purpose of establishing large enterprises such as railways or other public utilities abroad, the capital for which is raised in part in the foreign country affected. The requirements of such a corporation will be that it devote itself exclusively to foreign trade,

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The Plaza at Dairen, Manchuria

and that a majority of the incorporators and directors be American citizens.

The principal object of this law is to meet the peculiar situation existing in China, where foreigners are limited to treaty ports in actual trade operations. Incorporation in these ports is usually effeeted under the laws of the predominant nationality, although it is permissible for corporations whose capital and personnel are of one nationality to incorporate under the laws of another nation. Many American companies therefore incorporate under the Hongkong Corporation Act,—a very liberal law involving only a nominal stock tax. One objection raised against this praetice has been that American-manned and American-financed companies must transact their legal business in British courts, and must look to British officials for diplomatic support.

No present American State incorporation law meets the requirements of China, and it is an unfortunate fact that the Chinese rather distrust our State charters. The Chinese would, on the other hand, welcome companies operating under a charter granted by our Federal government, and good enterprises incorporated in this manner might find it much easier than in the past to raise additional capital in China for the furtherance of their plans.

Combinations Successful in China

Before the war German and British engineering combinations were highly successful in China, and in three years secured engineering contraets in that country valued at $450,000,000. One German combination included forty-seven engineering firms, in addition to Krupps, and there were also represented in the organization two shipping houses, one marine insurance firm, one life insurance company, and one fire and building insurance company. The combination had branches with one or more Chinese, who spoke German, in charge at all important Chinese cities.

While American manufacturers were endeavoring to sell their products individ-

ually, the Germans began by saving the Chinese trouble. Thus, if there was a mining venture, the representative of the allied German manufacturers would go to the local governors or parties interested and offer to take the whole job, *i.e.*, sink the shafts, develop the mines, put in all the equipment, build the railways or boat lines, erect power plants and equip them, put up workmen's dwellings, and finance the undertaking. Such an organization was prepared to sell a Chinaman a five-cent handsaw or develop an entire province.

The Anglo-Chinese Engineers Association is a similar organization, made up of a strictly non-competing group of 75 concerns making machinery, railway supplies, engineering material, and tools. This organization has branch houses in charge of Chinese speaking European assistants at selected ports and industrial centers, with a managing director in Peking. In large cities such as Peking, Hankow, and Canton it has competent mechanical engineers with Chinese experience, while the selling staff includes men with intimate knowledge of the localities in which they are employed.

"Slow Siege" the Better Plan

American goods will sell in China if they are given equal opportunity with the output of other nations. The American community in Shanghai has more than doubled in the last few years, and there is a larger variety of American goods visible in the shops than before. But the national fault of Americans in their attempt to secure foreign trade is impatience. In the domestic market we are accustomed to capture trade by rapid advances, by brilliant assaults. In the foreign field, and especially in China, the slow siege is the better plan.

Dr. Wu Ting Fang, former Minister to the United States, remarked upon this. He said:

> An American is apt to be in too much of a hurry. He should make up his mind that if he has an article that the Chinese want, they will buy it eventually, but that it will take a little longer to introduce his goods in China than in the United States; but he should also remember that once he gets his article established it will continue to sell for a long time, and indeed will never be displaced until another article of the same kind, but of conspicuously higher merit, and cheaper, is introduced.
>
> The Chinese nature is not much different from that of other human beings. What at first is a luxury soon becomes a necessity in China, as elsewhere. I have seen this demonstrated in Shanghai. A young merchant from the interior comes to Shanghai for the first time. He is taken about and entertained by the local merchants. He is introduced to some of the delights of the modern civilization. After that he is never the same man. He longs for luxury once he has tasted it. He likes the cigarettes; he likes the scented soaps, the wines, the perfumery, foreign clothes, automobiles, upholstered furniture. It is largely beyond his reach because of its cost, but as he begins to feel better financially he adds to his stock of foreign introduced luxuries, and enjoys them.